

Description of the Proposed Transaction

The proposed transaction is expected to close within 12 months. It will include the following steps, many of which will be taken contemporaneously:

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- Verizon New England Inc. (“Verizon New England”) forms Northern New England Telephone Operations Inc. (“Telco”) and contributes to Telco certain assets and liabilities currently held by Verizon New England that are related to its local exchange and intrastate toll operations in Maine, New Hampshire and Vermont (“the ILEC Business”).
 - Verizon New England distributes the stock of Telco to its parent, NYNEX Corporation.
 - NYNEX Corporation distributes the stock of Telco to its parent, Verizon Communications Inc. (“Verizon Communications”).
 - NYNEX Long Distance Company (“NYNEX Long Distance”), Verizon Select Services Inc. (“VSSI”) and Bell Atlantic Communications, Inc. (“BACI”) transfer assets and liabilities related to their long distance operations in Maine, New Hampshire and Vermont (the “Non-ILEC Business”) to Verizon Communications.
 - Verizon Communications forms Northern New England Spinco Inc. (“Spinco”) and contributes to it the Non-ILEC Business and the stock of Telco.
 - Spinco forms Enhanced Communications of Northern New England Inc. (“Newco”) and contributes to Newco the Non-ILEC Business.
 - FairPoint and Spinco receive cash proceeds pursuant to a debt financing from Lenders.
 - Spinco uses part of the cash proceeds from the debt financing to declare and pay a special dividend (the “Special Dividend”) to Verizon Communications. This amount will be approximately equal to the estimated tax basis that Verizon Communications has in its Spinco shares.
 - A portion of the cash proceeds from the debt financing will not be used to pay the Special Dividend and will be used after the merger described below to refinance FairPoint existing debt and/or for working capital purposes.
 - Spinco issues Spinco debt securities (the “Spinco Securities”) to Verizon Communications in the principal amount of \$1.7 billion less the amount of the Special Dividend.
 - Verizon Communications distributes all stock of Spinco to Verizon Communications shareholders.
 - If elected by Verizon Communications, Verizon Communications consummates the debt exchange of Spinco Securities for debt of Verizon Communications or its subsidiary (which debt exchange may occur after the merger described below).
 - Pursuant to the Merger Agreement, Spinco immediately merges with and into FairPoint, with FairPoint surviving and the Spinco Securities becoming debt obligations of FairPoint.

- The Verizon Communications' shareholders who receive stock of Spinco now receive one share of FairPoint stock for each 55 shares of Verizon Communications stock held as of the record date.
- FairPoint uses the remaining cash proceeds from Spinco's debt financing to refinance pre-existing FairPoint debt and/or for working capital purposes.
- ~~At the conclusion of the transaction, Verizon Communications' current shareholders will~~
own approximately 60% of FairPoint and FairPoint's current shareholders will own approximately 40% of FairPoint.
- Telco and Newco will be wholly owned subsidiaries of FairPoint.